

P-421/M-88-968, P-421/EM-89-691, and P-999/M-92-1268 ORDER
ASSIGNING RESPONSIBILITY FOR PROVIDING INTRALATA OPERATOR
SERVICES TO END-USERS AND APPROVING CHANGE IN RATES FOR OPERATOR
SERVICES PROVIDED TO LOCAL EXCHANGE CARRIERS

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Don Storm
Tom Burton
Marshall Johnson
Cynthia A. Kitlinski
Dee Knaak

Chair
Commissioner
Commissioner
Commissioner
Commissioner

In the Matter of U S West
Communications' 1988 and 1992
Proposals to Change Rates for
Local Operator Assistance
Provided to Other Local Exchange
Carriers and U S West
Communications' proposal to
Cancel Tariffs and File Price
Lists for Local Operator
Assistance Provided to Exchange
Carriers.

ISSUE DATE: August 11, 1993

DOCKET NO. P-421/M-88-968, P-
421/EM-89-691, and P-999/M-92-
1268

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SERVICES TO END-USERS AND
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LOCAL EXCHANGE CARRIERS

PROCEDURAL HISTORY

On December 7, 1987 Northwestern Bell, now known as U S West Communications, Inc. (U S West or the Company) submitted a letter informing the Commission that the Company intended to contract with U S West Service Link, Inc. (Service Link) rather than AT&T for the provision of local and intraLATA operator services. This letter was accompanied by a tariff revision under which the Company would cease providing local operator assistance to other local exchange companies (LECs). The Company notified the LECs of its tariff revision and informed them that they could contract with Service Link for operator services. The proposed effective date for both the contract with Service Link and the withdrawal of local operator assistance from the other LECs was January 4, 1988.

On December 31, 1987 the Commission ordered an investigation into the Company's proposed changes in its provision of operator services. The Commission also suspended the Company's tariff revision pending the outcome of the investigation.

In the course of the investigation, the Company and other parties reached an agreement under which U S West would continue as the retail provider of operator services, with Service Link performing the actual operator service functions. On December 13, 1988 U S West proposed a reduction in rates charged to provide operator services to other LECs. On August 21, 1989 U S West filed price lists and canceled the tariffs for the provision of local operator assistance to LECs.

On June 25, 1990 the Department of Public Service (Department) filed a report on the Company's proposed rate decrease and price lists. U S West filed a reply to the Department's report on October 31, 1990. On April 4, 1991 the Department submitted a response to U S West's October 31 reply comments.

On April 1, 1992 U S West filed revised rates for operator services provided to other LECs. The filing included a price list for intraLATA operator services. On September 1, 1992 the Department filed a supplemental report with the Commission responding to the Company's revised rate proposal.

On November 6, 1992 the Commission issued a notice soliciting comments on the Department's supplemental report. Comments were received on December 7, 1992 from GTE North, Inc. (GTE), Vista Telephone Company (Vista) and the Minnesota Independent Coalition (MIC). The Comments of Vista and MIC were filed jointly.

This matter came before the Commission for consideration on June 1, 1993.

FINDINGS AND CONCLUSIONS

Responsibility for Provision of IntraLATA Operator Services

U S West became the retail provider of intraLATA operator services to the end-users of other local exchange companies in 1984. The Company assumed this responsibility from AT&T, which had provided operator and other services before the court-ordered divestiture.¹ The Company, however, sought to shed this responsibility in 1987, informing the other LECs that they were to become the retail providers of intraLATA operator services to their customers. In response the LECs altered their billing systems significantly to assume this function.

The Commission believes, ideally, that the intraLATA operator service provider and intraLATA toll carrier should be the same. However, the significant investment of time and resources the LECs have made to become the retail providers of this service compel a departure in this case from the ideal. The Commission, therefore, finds that the LECs are responsible for the provision of intraLATA operator services, unless those LECs provide intraLATA equal access to their end-users. If equal access is available, intraLATA operator services should be provided by each end-user's pre-subscribed intraLATA interexchange carrier.

¹ AT&T continued to provide intraLATA operator services after the divestiture, under contract with U S West, because U S West was not technologically capable of performing this function.

The LECs responsible for intraLATA operator services should file the appropriate tariffs. The Barnsville, Garden Valley and Lakedale LECs should file tariffs to eliminate intraLATA operator services since these companies provide intraLATA equal access.

Discriminatory Pricing

U S West is proposing intraLATA operator service rates for other LECs that are lower than the rates charged to the Company's own end-users. These rates would be discriminatory if U S West were the retail provider of intraLATA operator services to the end-users of the other LECs. However, since the other LECs are responsible for providing these services to their own end-users, the rate differential is proper. U S West's own end-users are retail customers. The other LECs that are purchasing operator services from U S West are wholesale customers. The lower rate charged the other LECs allows these LECs to resell the services to their own end-users at the appropriate retail price. This does not constitute discriminatory pricing.

New Rate Design for Operator Services

U S West's proposed rate design for intraLATA operator services, filed on April 1, 1992, creates three new rate categories applicable to other LECs. First, the proposed price list separates calling card calls into mechanized calls and operator assisted calls. Second, the proposal establishes "connection to directory assistance" as a separate service. Third, the proposed rate design establishes a separate assistance rate for local operator calls, distinct from intraLATA operator assisted calls. U S West is asking the Commission to apply the rate reductions proposed on December 13, 1988 retroactively to January, 1988. The further rate reductions proposed on April 1, 1992 would be effective when the Company files the appropriate price lists reflecting the new rate design.

The Commission finds that the Company's proposed rates would better reflect the actual cost of service. The rate design offered by the Company would ensure a closer tie between the rates charged for specific services and the costs of providing those services. The proposed rates would also provide the other LECs with more flexibility in their own retail rate design for operator services. Therefore, the Commission approves the Company's proposed rates and rate design for operator services provided to other LECs.

The Commission also finds it appropriate to apply the rates filed on December 13, 1988 retroactive to January of that year. The Commission expects the Company to refund the difference between the actual rates charged for intraLATA operator services provided to LECs and the proposed rates for the service provided between January 1, 1988 and the date the new rates are implemented. The refund process should be completed within 90 days of the date of this Order. The Company must continue to provide local and

intraLATA operator services to the other LECs unless it receives prior Commission approval to discontinue these services.

Classification of Operator Services Provided to Other LECs

U S West is seeking to classify its wholesale provision of local operator services to other LECs as emergingly competitive under Minn. Stat. § 237.59, subd. 1 (19). If these services are emergingly competitive, the proposed rate changes would appropriately be made under Minn. Stat. § 237.60. If, however, the services are noncompetitive, the rate changes fall under Minn. Stat. § 237.63.

The Commission finds it unnecessary and premature to decide the competitive status of the Company's wholesale operator services in this case. The Company's filing is such that it meets the standards applicable to both emergingly competitive and noncompetitive services. The Commission is currently examining the classification issue in Docket No. P-421/EM-89-694. Resolution of the issue is, therefore, best left to that proceeding.

ORDER

1. The local exchange companies not providing intraLATA equal access shall be responsible for the provision of intraLATA operator services to their end-users.
2. The local exchange companies listed in Attachment to this Order shall, within 30 days, file tariffs for the provision of intraLATA operator services.
3. Barnsville, Garden Valley and Lakedale Telephone Companies shall, within 30 days, file revised tariffs to reflect a shift in responsibility for providing intraLATA operator services from these companies to their end-users' pre-subscribed intraLATA interexchange carriers.
4. U S West's proposed rates and rate design for local and intraLATA operator services provided to other local exchange companies, filed on December 13, 1988 and April 1, 1992 are hereby approved. The rates filed on December 13, 1988 are effective as of January, 1988. Rates filed after December 13, 1988 shall be effective on the date the Company files its price lists reflecting the new rates.
5. U S West shall, within 90 days, refund the difference between the rates charged and the new rates approved retroactive to January, 1988.
6. U S West shall, within 10 days, file a price list reflecting the rates approved herein.

7. U S West shall, within 120 days, submit a summary of the refunds made to local exchange companies pursuant to this Order.
8. U S West shall obtain Commission approval before discontinuing the provision of local and intraLATA operator services to other local exchange companies.
9. Docket Numbers P-421/M-88-968, P-421/EM-89-691, and P-999/M-92-1268 shall be closed.
10. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Richard R. Lancaster
Executive Secretary

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